



PRESS RELEASE

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Justice Department Announces Leodan Privatbank AG Reaches Resolution Under Swiss Bank Program

The Department of Justice announced today that Leodan Privatbank AG (Leodan), reached a resolution under the department's [Swiss Bank Program](#).

The Swiss Bank Program, which was announced on Aug. 29, 2013, provides a path for Swiss banks to resolve potential criminal liabilities in the United States. Swiss banks eligible to enter the program were required to advise the department by Dec. 31, 2013, that they had reason to believe that they had committed tax-related criminal offenses in connection with undeclared U.S.-related accounts. Banks already under criminal investigation related to their Swiss-banking activities and all individuals were expressly excluded from the program.

Under the program, banks are required to:

- Make a complete disclosure of their cross-border activities;
- Provide detailed information on an account-by-account basis for accounts in which U.S. taxpayers have a direct or indirect interest;
- Cooperate in treaty requests for account information;
- Provide detailed information as to other banks that transferred funds into secret accounts or that accepted funds when secret accounts were closed;
- Agree to close accounts of accountholders who fail to come into compliance with U.S. reporting obligations; and
- Pay appropriate penalties.

Swiss banks meeting all of the above requirements are eligible for a non-prosecution agreement.

According to the terms of Leodan's non-prosecution agreement, Leodan agrees to cooperate in any related criminal or civil proceedings, demonstrate its implementation of controls to stop misconduct involving undeclared U.S. accounts and pay a penalty in return for the department's agreement not to prosecute Leodan for tax-related criminal offenses.

Leodan, which is organized as a corporation owned by private shareholders, is a small private bank that commenced doing business in September 2009.Leodan previously was known as PHZ Privat- und Handelsbank Zürich AG until it changed its name in August 2015 as part of a new business strategy.Leodan focuses on asset management, which encompasses advisory, brokerage and custodial services, for private and institutional clients.Leodan's sole office is in Zurich, Switzerland. On Jan. 11, 2016, a meeting ofLeodan's shareholders was convened, and the shareholders voted to voluntarily wind-downLeodan's banking operations.

Until June 2013,Leodan conducted a U.S. cross-border banking business that aided and assisted certain of its U.S. clients in opening and maintaining undeclared accounts in Switzerland and concealing the assets and income they held in these accounts from the U.S. government. Six private bankers atLeodan, including the Chief Executive Officer, serviced the 44 U.S.-related accounts at the bank.Leodan offered a variety of traditional Swiss banking services, including hold mail and code-name or numbered account services, that it knew could assist, and did in fact assist, U.S. clients in the concealment of assets and income from the Internal Revenue Service (IRS).Leodan opened and maintained accounts belonging to U.S. taxpayers who had left other banks being investigated by the department without ensuring that each such account was compliant with U.S. tax law.Leodan accepted instructions in connection with U.S.-related accounts not to invest in U.S. securities and not to disclose the names of U.S. clients to U.S. tax authorities, including the IRS.Leodan also processed significant securities or precious metals electronic transfers in relation to U.S.-related accounts at or around the time the clients' accounts were closed, even thoughLeodan knew, or had reason to know, that some of the accounts contained undeclared assets.

Leodan opened and maintained undeclared accounts in the names of sham structures that were beneficially owned by U.S. taxpayers, while knowing, or having reason to know, that these structures were used by U.S. clients to help conceal their identities from the IRS. These structured accounts were non-U.S. domiciled entities, such as an offshore corporation or trust, which aided and abetted the clients' ability to conceal their undeclared accounts from the IRS. These non-U.S. domiciled entities were established in the British Virgin Islands, Cyprus, Germany, Hong Kong, Liechtenstein and Panama. Because Swiss law requiresLeodan to identify the true beneficial owner of structures on a document called a Form A, it knew that these were U.S. client accounts. Nonetheless, for certain U.S. client accounts,Leodan private bankers and other employees aided and assisted some of these U.S. clients in concealing these assets and income from the IRS.

On Dec. 22, 2010, the Chief Executive Officer and the Chief Operating Officer ofLeodan met in the bank's offices with an external asset manager (EAM #1) and two private bankers, who were not satisfied with their positions at UBS. EAM #1 presented his company and proposed a business relationship. During this meeting, EAM #1 informedLeodan's management that he was under investigation in the United States. Later that same month and viewing a potential relationship with EAM #1 as a business opportunity,Leodan made a decision to hire the two private bankers commencing May 2011 and to enter into a business relationship with EAM #1.

Leodan opened 19 U.S.-related accounts for 13 clients of EAM #1. Of these 19 accounts, 16 were structured accounts held by non-U.S. domiciled entities. EAM #1 served as a director of his 16 structured accounts atLeodan, and EAM #1 had a power of attorney for the non-U.S. domiciled entity that held the account in its name. The relationship with EAM #1 brought more than 40 percent of the U.S.-related accounts toLeodan. EAM #1 was later indicted in the United States for conspiring with U.S. taxpayers to help them evade their U.S. tax obligations.

Between May 2011 and October 2012,Leodan made no efforts to ascertain the status of the criminal investigation against EAM #1. On Oct. 16, 2012, representatives ofLeodan's Board of Directors and Management Board met with representatives of FINMA. After discussing with FINMA the indictment of EAM #1, which had taken place more than 15 months earlier in July 2011,Leodan made the decision to terminate its relationship with EAM #1 and exit his clients. Between November 2012 and January 2013,Leodan transferred the 19 U.S.-related accounts of EAM #1 to other banks. The majority of the assets in these accounts were transferred per the clients' instructions to one specific Swiss bank and two banks in Liechtenstein, and these transfers continued to aid some of those clients in evading their U.S. taxes.

During the period since Aug. 1, 2008, Leodan held a total of 44 U.S.-related accounts, which included both declared and undeclared accounts, with an aggregate peak of approximately \$59.42 million in assets under management. Leodan will pay a penalty of \$500,000.

In accordance with the terms of the Swiss Bank Program, Leodan mitigated its penalty by encouraging U.S. accountholders to come into compliance with their U.S. tax and disclosure obligations. While U.S. accountholders at Leodan who have not yet declared their accounts to the IRS may still be eligible to participate in the [IRS Offshore Voluntary Disclosure Program](#), the price of such disclosure has increased.

Most U.S. taxpayers who enter the IRS Offshore Voluntary Disclosure Program to resolve undeclared offshore accounts will pay a penalty equal to 27.5 percent of the high value of the accounts. On Aug. 4, 2014, the IRS increased the penalty to 50 percent if, at the time the taxpayer initiated their disclosure, either a foreign financial institution at which the taxpayer had an account or a facilitator who helped the taxpayer establish or maintain an offshore arrangement had been publicly identified as being under investigation, the recipient of a John Doe summons or cooperating with a government investigation, including the execution of a deferred prosecution agreement or non-prosecution agreement. With today's announcement of this non-prosecution agreement, noncompliant U.S. accountholders at Leodan must now pay that 50 percent penalty to the IRS if they wish to enter the IRS Offshore Voluntary Disclosure Program.

Acting Assistant Attorney General Caroline D. Ciruolo of the Justice Department's Tax Division thanked the IRS and in particular, IRS-Criminal Investigation and the IRS Large Business & International Division for their substantial assistance. Acting Assistant Attorney General Ciruolo also thanked Kimberle E. Dodd, who served as counsel on this matter, as well as Senior Counsel for International Tax Matters and Coordinator of the Swiss Bank Program Thomas J. Sawyer and Senior Litigation Counsel Nanette L. Davis.

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